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AGENDA ITEM 8: THE ENVIRONMENT FUND, OTHER FINANCIAL MATTERS AND ADMINISTRATION

REPORT OF THE FUND COMMITTEE

A. *Introduction*

1. Under the chairmanship of the Vice-President, Mr. Erik Fiil (Denmark), the Fund Committee held 10 meetings between 10 and 14 May 1993, to consider agenda item 8 (The Environment Fund, other financial matters and administration).

2. At the 1st meeting of the Committee, held on 10 May 1993, the Committee approved the organization of its work as proposed in UNEP/GC.17/FC/L.1. At the second meeting of the Committee, also on 10 May 1993, Mr. Jusuf P. Nugroho (Indonesia) was elected Rapporteur by acclamation.

3. In considering the item, the Committee had before it the following documentation: the report of the Executive Director on on-site interpretation facilities at Gigiri, Nairobi (UNEP/GC.17/3); the report of the Executive Director on the periodicity and duration of sessions of the Governing Council (UNEP/GC.17/8); the note by the Executive Director on the Environment Fund: financial report and audited accounts for the biennium 1990-1991 ended 31 December 1991 (UNEP/GC.17/13); the report of the Executive Director on the use of resources in 1992-1993 and proposed use of projected resources in 1994-1995 and 1996-1997 (UNEP/GC.17/16), supplemented by her report to update the figures contained in the former document (UNEP/GC.17/16/Add.1); the report of the Executive Director on the programme and programme support costs budget of the Environment Fund: revised estimates for the biennium 1992-1993 and proposed budget for the biennium 1994-1995 (UNEP/GC.17/17), supplemented by her report on the provision of language facilities to the Committee of Permanent Representatives (UNEP/GC.17/17/Add.1); the report of the Executive Director on the management of trust funds and counterpart contributions (UNEP/GC.17/19); the report of the Executive Director on improvement of the facilities at the United Nations Office at Nairobi (UNEP/GC.17/21), supplemented by her report on the Mercure project (UNEP/GC.17/21/Add.1); the report of the Executive Director on the Global Environment Facility (UNEP/GC.17/23); the executive summary of the management and organization study of UNEP (UNEP/GC.17/26); the report of the Executive Director on general policy issues (UNEP/GC.17/28); the report of the Advisory Committee on Administrative and Budgetary Questions on the performance report on the

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PPSC budget for the biennium 1992-1993 and the proposed budget for PPSC for the biennium 1994-1995 (UNEP/GC.17/L.1); the report of the Committee of Permanent Representatives on proposals for enhancing the effectiveness and efficiency of UNEP in fulfilling its mandate (UNEP/GC.17/L.2); draft decisions submitted by the Committee of Permanent Representatives (UNEP/GC.17/L.6 and UNEP/GC.17/L.6/Add.1); and a note by the secretariat on planning and budgeting terminology (UNEP/GC.17/Inf.3).

4. The Chairman, referring to document UNEP/GC.17/FC/L.1, set out the timetable for the 10 meetings of the Fund Committee. If at all possible, he said, the Committee should try to conclude its work earlier than the deadline set. He emphasized that the matters included under agenda item 8, namely, the Environment Fund, financial matters and administration, were of essential importance and he urged the Committee to be both realistic and constructive in its deliberations.

5. In his introductory remarks, the Deputy Executive Director outlined the issues facing the Fund Committee. He stressed that the agenda was more wide-ranging than at previous sessions. This year the Committee was also asked to consider how the UNEP budgets might be restructured, whether there was any consensus on changing the basis of contributions to the Fund, the Global Environment Facility, the proposals of the Committee of Permanent Representatives to enhance the effectiveness and efficiency of UNEP, on-site interpretation facilities at Gigiri, the periodicity and duration of sessions of the Governing Council and the provision of language facilities to the Committee of Permanent Representatives. The first priority of the Committee, he continued, was to advise the Programme Committee of the sum of money it should programme in terms of activities for 1994-1995, since that Committee could not really start its work without being apprised of the figure agreed by the Fund Committee.

B. *The Environment Fund: availability and use of resources*

6. The Deputy Executive Director, introducing the documents to be used by the Fund Committee in its deliberations on the size of the programme of Fund activities for 1994-1995 to be approved by the Committee, noted that contributions had been received at a lower level in the first quarter of 1992, which had made it necessary to exercise caution when entering into new commitments at the beginning of that year. In the second quarter of the year, programme implementation had been influenced by the fact that staff were concentrating attention on preparation for the United Nations Conference on Environment and Development (UNCED) and, over the year as a whole, project commitments were lower than might have been expected and expenditure on Fund activities achieved a level of only $36.3 million.

7. Because the estimated contributions for 1992 and 1993 were lower than were required to finance the Fund Programme, by the beginning of 1993 it became apparent that the Programme had to be reduced from $150 million to $120 million. Moreover, the Committee of Permanent Representatives had recommended that the programme be further reduced in 1993 in order to have a higher programme in 1994-1995. The Deputy Executive Director explained the various financial scenarios presented in documents UNEP/GC.17/16 and Add.1.

8. Several representatives expressed their appreciation of the quality of the documentation provided by the secretariat.

9. The representative of New Zealand pointed out that her Government had made a contribution to the Environment Fund in 1992 that had not been reflected in annex III of document UNEP/GC.17/16 before the Committee.

10. Another representative pointed out that in 1992 her country had paid $2.2 million to the Environment Fund, whereas only $1.1 million was included in the document before the Committee. The Deputy Executive Director explained that, of the $2.2 million, half was recorded as that country's contribution to the Environment Fund and the other half constituted a counterpart contribution for specific activities.

11. A number of representatives expressed disappointment at the low level of contributions for the current biennium, particularly in the light of the commitments made by the Governments that had attended UNCED.

12. A number of representatives called for a broadened base of contributions to the Environment Fund to prevent the financial burden from being regularly borne by the same few countries.

13. The representative of Poland informed the Committee that his country which, due to severe economic problems, had been unable to contribute to the Environment Fund, had, since 1991, resumed its contributions. The level of future contributions would be announced in the plenary meeting.

14. Many representatives stressed that, given the low level of contributions recorded, it was necessary to recommend realistic appropriation levels for the 1994-1995 biennium.

15. The representative of Norway expressed his Government's profound concern and disappointment at the small size of the Fund Programme for 1994-1995 in light of the funding apparently available, representing as it did a retreat from the assurances of additional support for UNEP that had been given at UNCED and an abandonment of the contribution target of $100 million by 1992 that had been approved by the Governing Council at its fifteenth session and reaffirmed at its sixteenth session. He mentioned that Norway had increased its contribution by 35 per cent annually for three years, in line with the pledges made at the fifteenth and sixteenth sessions of the Governing Council, and that that level of support would be maintained in the future. He asked that his statement be fully reflected in the report of the Fund Committee.

16. One representative pointed out that the contributions to the Environment Fund were - and should remain - voluntary and that the application of the United Nations scale of assessment was not a viable option. It was the capacity of countries to contribute that mattered. He reminded the Committee that UNCED had recognized the need for developed countries to assist developing countries in the implementation of sustainable development. Several other representatives expressed their preference for the voluntary nature of the Environment Fund and noted that the adoption of assessed contributions might even lead to a reduction of the current level of their contributions.

17. Another representative called for the Governments to make early pledges and payments to the Fund. Yet another representative suggested the establishment of a separate voluntary fund for UNCED follow-up activities by UNEP. Failing that, he said, some other separate form of UNCED follow-up was needed.

18. The representative of Japan pledged that his Government would increase its 1993 contribution by more than ten per cent over its 1992 contribution.

19. The representative of Australia pledged that his country would maintain the same contribution in real terms in the 1992-1993 biennium.

20. The representative of Austria announced that his country's 1993 contribution would be 20 per cent greater than its 1992 contribution.

21. The representative of the Netherlands indicated his continued strong support for the Environment Fund and stated that his country would maintain the current level of its contributions.

22. The representative of Finland expressed her country's intention to maintain its 1993 contribution to the Fund at the same level as in 1992 and stated that it would endeavour to maintain future contributions at a level as close as possible to that of previous years.

23. Two representatives expressed concern at the diminishing contributions to the Fund at a time when contributions to the Global Environment Facility were increasing to far higher levels.

24. After reviewing the various options for the 1994-1995 biennium level of funding the Committee decided to base its recommendations to the Programme Committee on estimated contributions for the biennium of $135 million. That, together with a cut-back in 1993 commitments of $10 million, would give some assurance that a core programme of Fund activities could be proposed at a level of $120 million. It was decided that the letter to be sent to the Chairman of the Programme Committee should thus request his Committee to prepare a core programme of $120 million for Fund Programme Activities in 1994-1995 and to identify additional activities amounting to $10 million, to be regarded as a first supplementary programme for implementation if and when sufficient resources became available.*

25. The Fund Committee also decided to request the Programme Committee to prepare a second supplementary programme of $30 million, for implementation subsequent to the first supplementary programme of $10 million, in the event that contributions increased at a rate faster than the Fund Committee currently believed to be possible.*

26. In discussing the text of the letter to the Programme Committee, the representative of Norway said that he wished it to reflect the disappointment he felt, which was shared by others, that the proposed size of the Fund Programme for 1994-1995 represented a retreat from indications of additional support to UNEP given at UNCED and from the target for annual contributions of $100 million by 1992, approved by the Governing Council at its fifteenth session and reaffirmed at the sixteenth session.

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* The Secretariat informed the Committee, in connection with its recommendations to the Programme Committee for the 1994-1995 biennium level of funding, that the Group of 77 and China had submitted a draft decision to the Programme Committee concerning the priorities for Fund Programme Activities in that biennium.

27. Several representatives agreed that, although it would be useful to reflect in the letter the disappointment over the fact that funding for the 1994-1995 biennium would not reach the $100 million target, it was also necessary to underline that the level of funding recommended was based on the need for a realistic approach to planning.

28. A number of representatives said it was necessary that the letter reflect the argument that the proposed funding level for 1994-1995 was provisional, as Agenda 21 had given UNEP a broader mandate and therefore UNEP needed far more resources. Thus, there was a need to continue exploring possibilities for additional funding.

29. The Committee reached agreement that the most appropriate action would be to maintain the letter in its traditional form and transmit to the Programme Committee only the planning figures for the 1994-1995 biennium. The Committee agreed to discuss the other policy matters raised at a more appropriate point on the agenda.

C. *Programme and programme support costs*

30. Introducing the Programme and progamme supports costs (PPSC) the Chief of the Administrative Service outlined the revised budget estimates for 1992-1993 and the proposed budget for 1994-1995, pointing out that their overall presentation was in conformity with the relevant United Nations budgetary regulations, rules and practices. The revised estimates for 1992-1993, he said, had been reduced from $38,730,100 to $37,818,600 and the factors leading to the proposed reduction were currency fluctuations and inflation.

31. The proposed PPSC budget estimates of $43,612,300 for 1994-1995, he went on, had been drawn up with due regard for the stipulation of the Governing Council in previous years that the PPSC budget was to be contained within 33 per cent of the projected contributions. Having highlighted the proposed changes set out in paragraph 18 of document UNEP/GC.17/17, he went on to explain that the number of posts funded by PPSC would remain at 295 and that the budget estimates were based on the assumption that 5 per cent of Professional posts and 0.5 per cent of local-level posts would remain vacant during the biennium 1994-1995.

32. He further stated that, if the Governing Council agreed to the recommendations of the Committee of Permanent Representatives, the format of UNEP's budget would be restructured with effect from the 1996-1997 biennium.

33. Several representatives complimented the Secretariat on its presentation and on containing the PPSC budget within the appropriate limits.

34. One representative pointed out that the PPSC budget was at the same level as two years previously and, in view of the fact that the programme budget had been reduced, he wondered why the level of the PPSC budget had not been affected in the same way. The Chief of the Administrative Service replied that the PPSC budget did not have a one-to-one relationship with the Programme budget. The PPSC budget was not for administration only, but was a core budget and was not necessarily influenced by the level of the Programme budget. Therefore, movement in the Programme budget would not result in a commensurate movement in the PPSC budget.

35. Several representatives sought clarification on the effect that the recent devaluation of the Kenya Shilling would have on the PPSC budget for 1994-1995. One of them asked whether the budget had taken into account the financial benefits that would accrue from the new relationship between UNEP and the United Nations Centre for Human Settlements (Habitat). He also asked whether the effects of the recommendations made in the report of the consultants who had undertaken the management study of UNEP had been considered in the preparation of the budget.

36. The Chief of the Administrative Service replied that the documentation had been prepared using December 1992 rates. The effect of the devaluation of the Kenya Shilling would be reflected during the revision of the 1994-1995 estimates. With regard to the collaboration between UNEP and Habitat, he stated that the Secretary-General's proposals had been received in mid-March 1993 only - too late for inclusion in the budget. Concerning the management study report, he pointed out that the UNEP management was waiting for the views of the Governing Council on the issue.

37. One representative wished to know the extent to which the reduction in the size of PPSC budget could be attributed to the shifting of posts from PPSC to Fund Programme activities. The Deputy Executive Director replied that there had been no transfers of posts between the PPSC and the Fund Programme activities, but that there had been an increase in the number of posts financed within Fund activities.

38. The same representative, referring to Annex II of document UNEP/GC.17/17, relating to the rate of inflation used, asked whether due regard had been paid to the weighting of the major currencies in which UNEP's expenditures were incurred. He suggested that the increase in the budget for 1994-1995 should be closer to 10 per cent as against the 15 per cent indicated in the budget document. The representative also said he believed that United Nations Headquarters provided a world-wide inflation rate for use by organizations in formulating budgets. Replying to the points raised, the Chief of Administrative Service explained that no uniform world-wide rate was supplied by United Nations Headquarters. The inflation rates used were calculated on a location-by-location basis.

39. One representative wanted to know whether, in formulating the 1994-1995 budget, UNEP had taken into account the cost of implementing Agenda 21 of UNCED. The Deputy Executive Director replied that that had not been the case.

40. On the question of a supplementary appropriation of $4,207,500 toward the creation of posts, as contained in paragraph 5 of document UNEP/GC.17/17, several representatives wanted the proposal deleted, stating that it was a supplementary proposal for which the required funding could not be found. However, several other representatives wanted the proposal to stay. The Deputy Executive Director agreed that, in view of the fact that it was unlikely that the conditions required for implementation would be met and in line with the recommendations of the Advisory Committee on Administrative and Budgetary Questions, the proposal would be left out.

41. After further deliberations among several representatives, a proposal to recalculate the vacancy rate for Professional posts at 10 per cent instead of 5 per cent was agreed. The new proposal was expected to reduce the PPSC budget by $870,500, thus bringing it to $42,741,300.

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42. One representative asked what the period of validity of unliquidated obligations was. The Chief of the Administrative Service explained that unliquidated obligations were kept valid for a period of twelve months after the end of the biennium.

43. The same representative asked for some clarification of the increases in the provision under a number of budget lines. The Chief of the Administrative Service provided the necessary clarifications.

44. Another representative wished to know the specific programmes in which consultants were employed by UNEP in the first months of 1993. The Chief of the Administrative Service explained that consultants were employed in areas where UNEP did not have the necessary in-house expertise and/or did not need such expertise on a permanent basis. Details for 1993 would be made available later.

45. Yet another representative wanted to know the budget lines affected by the proposed reduction of some $870,000 from the total budget of $43,612,300. The Chief of the Administrative Service explained that the reduction would affect "established posts" and "common staff cost".

46. One representative presented an analysis that a review of the audited statements of UNEP form the biennium 1980-1981 to 1992-1993 revealed that, on average, final expenditures tended to be some $1.6 million below the appropriations voted by the Governing Council. He thought that, in view of that historical background, it would be fair to look for a saving of a further $1 million per annum, and would hence propose a PPSC budget for 1994-1995 of $41,612,300, instead of $43,612 300.

47. In the light of that intervention, the Deputy Executive Director stated that, if reductions were to be effected, an amount of $412,400 for "Ad hoc expert groups" and $500,000 for "Furniture and equipment" could be deleted, in addition to bringing the vacancy rate to 10 per cent for professional posts. That would bring the 1994-1995 estimate to $41,829,500. The Committee agreed to the revised proposal amounting to $41,829,500.

D. *Additional sources of funding and management of trust funds*

48. The Chief, Fund Programme Management Branch, introduced the documentation on management of trust funds and counterpart contributions, at the same time pointing out that two new trust funds not mentioned in the documentation had been approved by the Executive Director and would require the endorsement of the Governing Council. The Committee was informed that, in 1992, the Secretary-General had given the Executive Director the authority to establish both technical cooperation trust funds and general trust funds. It was further informed that no consensus had been reached on the amalgamation of trust funds.

49. Concern had been expressed that the growth of the trust funds and counterpart contributions might be at the expense of contributions to the Environment Fund and at the administrative burden on the Secretariat that resulted. However, after a further review of the issue, the trust funds did not pose much of a burden, since the 13 per cent programme support costs offset the administrative load.

50. A number of representatives expressed their continued concern at the proliferation of trust funds and urged the Secretariat to keep up its efforts to explore various ways of reducing the number of trust funds.

51. Several representatives expressed their appreciation to the donors to the trust funds and counterpart contributions, stating that those extrabudgetary resources had supplemented the programme activities.

52. One representative recognized the difficulty of amalgamating trust funds due to the varying internal requirements of donors. He went on to say that counterpart contributions were often provided at the express request of UNEP and did not necessarily represent a diversion of contributions from the Environment Fund. Some were used to finance activities that would have otherwise had to be financed from the Environment Fund. His Government - whose contributions had always been additional - had not been aware of the administrative burden of counterpart contributions and, if information on the subject had been provided, it might have been possible to make a provision for those costs.

53. Several representatives expressed their concern that the proliferation of the trust funds and the growing counterpart contributions might lead to a long-term imbalance in the Fund Programme activities as resources were being earmarked for the trust funds and counterpart contributions at the expense of the Environment Fund.

54. The Committee agreed to adopt the suggested Governing Council decisions including the request to establish: (a) The Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention and (b) The Technical Cooperation Trust Fund on Land Degradation Assessment and Mapping, which were not included in the documentation before the Committee. It was further agreed that an additional paragraph would be prepared by the drafting committee for addition to the draft decision, without entering into any other issues in the document, to cover the concern expressed regarding the possible long-term imbalance of resources.

E. *Provision of language facilities for the Committee of Permanent Representatives*

55. In introducing document UNEP/GC.17/17/Add.1 on the provision of language facilities for the meetings of the Committee of Permanent Representatives, the Chief of the Administrative Service traced the developments that had occurred since the sixteenth session of the Governing Council. He indicated that, as against UNEP's proposal that the regular budget should bear the entire cost of that activity, the Secretary-General had proposed that the cost be shared between the regular budget and the Environment Fund at a rate of 25 per cent and 75 per cent respectively.

56. Several representatives expressed support for the Secretary-General's proposals. However, a number of representatives felt that the regular budget should bear the entire cost of such language facilities.

57. One representative wished to know the cost of providing interpretation services from locally available sources. In reply, the Officer-in-Charge of Conferences Services explained that only three multilingual interpreters were available in Nairobi. On the other hand, providing a permanent team in Nairobi on a regular basis would be very costly and would not represent a cost-saving factor.

58. The Deputy Executive Director pointed out that the cost of providing conference services to the governing bodies of the United Nations Development Programme and the United Nations Children's Fund, which were also funded entirely on a voluntary basis, were borne by the regular budget of the United Nations. Therefore, in the case of UNEP, also a subsidiary organ of the United Nations, those costs should be borne by the regular budget. The Deputy Executive Director further pointed out that the question of whether the cost of providing language facilities in UNEP should be borne by the regular budget and not by the Environment Fund was more a question of principle than of the costs involved. Many delegations concurred in that conclusion.

59. One representative stated that, as both UNDP and UNICEF had no bodies comparable to the Committee of Permanent Representatives in UNEP, there was thus no basis for comparison. He went on to express his opposition to the funding of the language facilities for the meeting of the Committee of Permanent Representatives from the Regular Budget.

60. Another representative opposed requesting the Secretary-General to review his proposals, on the basis that the need for full language facilities to service meetings of the Committee of Permanent Representatives had not been demonstrated.

61. The Deputy Executive Director responded that, having agreed to a cut in the PPSC budget by $1.8 million, that expenditure would add back $645,000 to the reduced total just agreed by the Committee. He said he was, therefore, in a quandary as to what to do. He asked the Committee to decide on the issue.

62. Two representatives noted that Nairobi was the only United Nations headquarters without in-house interpretation facilities. One of them added that, since UNEP was a Programme of the United Nations and not a specialized agency like the International Atomic Energy Agency and the United Nations Industrial Development Organization, the cost of providing interpretation facilities for the meetings of the Committee of Permanent Representatives should be borne by the United Nations regular budget. He commented further that to deny the Committee interpretation facilities would make its work less useful.

63. Several representatives suggested that the idea of having in-house interpretation facilities should be explored further, as it could be economical in the long run if such facilities could also be provided to meetings of other United Nations bodies in Nairobi.

64. Two representatives considered that the issue was best left to the General Assembly to discuss.

65. The Committee concluded that funds for interpretation facilities for the Committee of Permanent Representatives should not come from the Environment Fund and that the Secretary-General should be requested to reconsider his position and have the costs of the interpretation facilities for the meetings of the Committee of Permanent Representatives borne under the United Nations regular budget. One representative maintained his delegation's opposition to the funding of those costs from the regular budget, proposing that if necessary, they should be borne by the Environment Fund. Another representative said that his delegation reserved its position.

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F. *The future structure of the UNEP budgets*

66. Introducing the Executive Director's note on the subject UNEP/GC.17/26, the Chief of the Administrative Service drew the attention of the Committee to draft decision IV contained in the report of the Committee of Permanent Representatives (UNEP/GC.17/L.2) which requested the Executive Director to revise the current format of the budget in such a manner that a clear distinction was made between programme delivery and administrative overheads - the Fund Programme would include only programme management and delivery; the PPSC would become an administrative and support costs budget. It also requested the Executive Director to provide definitions and rules for deciding what expenditure should be charged to which budget.

67. He indicated that the proposals put forward by the Committee of Permanent Representatives regarding the format and structure of future UNEP budgets were in line with the thinking of the Secretariat.

68. There was general agreement on the draft decision proposed by the Committee of Permanent Representatives with the exception of paragraph 5 of the draft decision which, it was agreed, should be deleted.

G. *Basis of contributions to the Environment Fund*

69. Introducing the item, the Deputy Executive Director drew the attention of the Committee to document UNEP/GC.17/28, paragraphs 54 to 58, document UNEP/GC.17/L.2 and the annexes to document UNEP/GC.17/16. He said that the topic had been made a separate sub-item of the agenda for two reasons, namely:

(a) The Governing Council, in its decision 16/44, requested the Executive Director to consider ways of ensuring a more stable and wider basis for voluntary contributions to the Environment Fund and to report thereon to the Governing Council at its seventeenth session;

(b) The Committee of Permanent Representatives, in its report on proposals for enhancing the effectiveness and efficiency of UNEP in fulfilling its mandate, had noted that there had been no noticeable increase in contributions to the Environment Fund in recent months and that that was a disturbing trend, especially in view of the expectations that had been aroused by the United Nations Conference on Environment and Development (UNCED), which needed to be considered in depth by the Governing Council.

70. The Deputy Executive Director also referred to the report entitled "Financing an Effective United Nations", submitted to the Secretary-General by an independent group. That report suggested that programmes funded by voluntary contributions should have their administrative expenditures financed by assessed contributions and that agencies in that situation should seek a larger proportion of their funding from multi-year negotiated pledges. The Executive Director would be interested to hear whether the Governing Council thought that those recommendations could provide a viable basis for UNEP's funding.

71. He went on to say that some figures relevant to the issue were to be found in table 2 in document UNEP/GC.17/16, which revealed that 96.3 per cent of 1992 contributions were paid by only 15 countries. The remaining 3.7 per cent was contributed by 61 countries, while over 100 States Members of the

United Nations contributed nothing at all. The Executive Director was not proposing that the United Nations scale of assessment should be applied to the Environment Fund, but she thought that it should be seen as an indicative guide.

72. In conclusion, he stated that the Executive Director would like the issue of burden-sharing to be addressed by the Governing Council, which should also consider whether, as had been suggested, all or part of the budget should be financed by assessed contributions.

73. Many representatives took the view that there should be no change in the voluntary nature of the Environment Fund. They agreed, however, that the resource base should be broadened and that those countries which were not already contributing to the Fund should be asked to do so. However small a contribution might be, it was a symbolic demonstration of a country's commitment to the cause of the environment. It was also suggested that a number of countries could be expected to contribute at a higher level than their current one. Prompt and timely payment of pledged contributions was also emphasized by many representatives.

74. Several representatives of developing countries expressed the view that the States mainly responsible for the damage to the environment should bear the lion's share of the cost of remedying that damage by making larger contributions.

75. The idea of multi-year negotiated pledges was extensively discussed, but a number of representatives stated that, in many cases, they were ruled out by national legislative procedures. Two of those representatives further stated that, although they could not support multi-year pledges, some long-term indications of pledges could, however, be given to the Secretariat. The representative of the United States of America indicated that his Government would be seeking Congressional approval for $23.85 million as its 1994 contribution to the Environment Fund and would welcome indications of contribution from others. One representative observed that , were more members to contribute and total contributions increase, those major donors adhering to percentage guidelines in setting their contributions would be stimulated to encourage more.

76. Two other representatives expressed the view that there was a tendency for major donor countries to divert part of their contributions from the Environment Fund to trust funds designed to finance specific projects. Several representatives of major donor countries said that that was not the case.

77. Summarizing the discussion, the Deputy Executive Director said that it was encouraging to note that virtually all developing countries agreed that all countries, even the smallest, should contribute to the Environment Fund and that it was the first time that there had been such an enthusiastic commitment on the part of that group of countries.

H. *Envelope for the preparation of the Programme budget for 1996-1997*

78. In his opening remarks, the Deputy Executive Director reminded the Committee that it had been the tradition of the Governing Council to provide the Secretariat with an envelope on the size of the Fund Programme for the biennium following the next as a planning guideline for proposals to be

presented at the next regular session of the Governing Council. He pointed out that an estimated level of contributions and a tentative Fund Programme for 1996-1997 of $130 million had already been mentioned when the Fund Committee reluctantly decided to limit the 1994-1995 Fund Programme to $120 million.

79. The Deputy Executive Director went on to say that, in light of the concern expressed by some representatives over the expected diminishing of the balance of the Fund to $2.32 million by the end of 1997, as indicated in the projections discussed earlier, the Secretariat now reluctantly wished to propose for consideration a 1996-1997 Fund Programme of $120 million. That would increase the balance of the Fund by the end of 1997 to a more viable level of $11 million. In conclusion, he added that the choice was a very unhappy one, but was nevertheless based on the previous discussion of expected contribution levels and was a reflection of the theme of realism underlined by so many representatives. He emphasized, however, that such a programme could not be seen as sufficient for UNEP to implement its appropriate role under Agenda 21, which had been the subject of substantial comment in the Committee earlier.

80. In discussing the size of the 1996-1997 Fund Programme, many countries said that it was evident that the sum of $120 million for 1996-1997 was too low. In justifying that opinion, the following factors were cited: the fact that the United States Government was seeking, subject to the availability of funds as determined by the United States Congress, to provide $23.85 million as its contribution to the Environment Fund for 1994; the discussion on broadening the base of contributions; the commitment made by many countries to make early pledges and early payments; and the fact that it would no longer be so necessary for UNEP to operate with a high end-of-year Fund balance.

81. The Committee agreed to propose for the biennium 1996-1997 a Fund Programme of $130 million for the core programme and $20 million for the supplementary programme.

I. *Fund programme reserve*

82. The Deputy Executive Director, having referred the Committee to paragraph 36 of the Executive Director's report (UNEP/GC.17/16), said that the Fund Programme reserve was established by rule 209.3 of the Financial Rules of the Fund and was an unprogrammed appropriation approved by the Governing Council over and above the appropriations for PPSC and the Fund Programme "to meet unforeseen needs, to finance unanticipated projects or phases of projects and to meet such other purposes as may be determined from time to time by the Governing Council." The Council had approved a Fund Programme reserve of $5 million for the 1992-1993 biennium. The Executive Director proposed that the same figure should be approved for 1994-1995.

83. The Committee decided to recommend that proposal to the Governing Council.

J. *The Fund Financial Reserve*

84. The Deputy Executive Director said that rule 209.2 of the Fund of UNEP provided that there "should be established a financial reserve, the level of which shall be determined from time to time by the Governing Council on the recommendation of the Executive Director. The purpose of the financial

reserve shall be to guarantee the liquidity and integrity of the Fund, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council. The latter shall keep the level of the financial reserve under constant review, taking into account the estimated income and expenditure for the following biennium." The Council had last determined the Financial Reserve in 1987. It had then represented a sum of $6,588,473 for that biennium and for every subsequent one, as the Council had decided not to increase the Reserve for either 1990-1991 or 1992-1993. The issue had been discussed at some length at the sixteenth session of the Council, in the Fund Committee, and it had been decided that since an increase in the Financial Reserve required that cash be actually set aside, which would thus not be available for programming, no increase would be made. On that occasion, the Executive Director had proposed an increase in the Reserve to $10 million, a proposal that had not proved acceptable. For the same reason, the Executive Director was not currently recommending any increase. There was, in fact, no mention of the issue in any of the documents, but he felt that the Secretariat was under an obligation to mention it; hence its inclusion in the agenda.

K. *Environment Fund: financial reports and audited accounts for the biennium 1990-1991*

85. The Chief of the Administrative Service said that the financial report and financial statements for the biennium 1990-1991 had been reviewed by the Board of Auditors which had indicated that they presented fairly the financial position of UNEP. They had also been considered by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), which had made some observations thereon. The General Assembly had subsequently accepted the report, the financial statements and the audit opinions of the Board and approved the comments of the Board of Auditors and the ACABQ.

86. As set forth in the Executive Director's note (UNEP/GC.17/13), two recommendations had been made: that UNEP should review the composition of technical cooperation trust funds and submit proposals to its Governing Council for merging some of them and that a master inventory listing should be made of all non-expendable UNEP property, including inventory holdings in regional offices. As the Committee was aware, it had not proved possible to arrange a merger of the trust funds. The master inventory was almost complete, but some information had still to be obtained from two outposted offices.

87. In answer to a question from one representative concerning delays in the submission of travel claims, the Chief of the Administrative Service explained that experts, consultants and participants in meetings were advanced 80 per cent of their estimated entitlements. The remainder was paid once the appropriate travel claims had been submitted and processed. The frequent - sometimes lengthy - delays in submitting travel claims were, in fact, to UNEP's financial advantage but constituted an accounting problem.

88. The Committee decided to transmit the Executive Director's note (UNEP/GC.17/13) to the Governing Council.

L. *The Global Environment Facility*

89. Introducing the sub-item, the Deputy Executive Director highlighted the ongoing restructuring of the Global Environment Facility (GEF) and UNEP's role as one of the three implementing agencies. He also pointed out that a number

of key issues had still to be resolved at the meetings of the GEF participants to be held shortly in Beijing and subsequently in December 1993. He further stated that it was expected that the restructured GEF would be given legal status by a resolution of the participants, most probably in December 1993. UNEP's role under the restructured GEF following that resolution would then need to be confirmed by a decision of the Governing Council, which obviously could not be taken at the current session.

90. Several representatives expressed their appreciation for the role played by UNEP in the implementation of the GEF through STAP.

91. Several other representatives defined UNEP's role as providing intellectual input and serving as an "environmental conscience" for GEF projects.

92. Several representatives said that they would like to see UNEP's role strengthened during the restructuring of GEF. Several others expressed the opinion that there was a need to define clearly UNEP's role in relation to GEF and also mentioned the need for coordination among the implementing agencies. One of them further stated that her delegation would like to see a broad mandate for UNEP in all questions of strategy.

93. One representative took the view that UNEP must clarify its relationship with GEF and ensure that its role did not give rise to a conflict of interest.

94. Several representatives expressed the fear that increased funding to GEF could be at the expense of increased contributions by Governments to the Environment Fund. One of them stated that it was essential that that concern was presented to the Beijing meeting. Another representative pointed out that GEF was a financial mechanism, while UNEP had its own specific role.

95. In response to a question from one representative concerning how much had been spent to date, the Deputy Executive Director replied that $18.6 million had been disbursed for projects and other activities by 31 December 1992.

96. Regarding the financing of new activities, one representative stated that GEF should be active in the agreed four areas. Other areas could be included only if they could fit into the present structure. Opening "new windows" should be deferred.

97. Several representatives stressed the importance of the evaluation process being perceived as objective. While one of them questioned whether evaluations undertaken within each individual agency would be perceived as credible and objective, another supported the existing system of evaluations. Yet another representative gave an account of his Government's experience with a GEF mission to his country to select projects for funding by GEF. A number of projects had been selected and later rejected by GEF. He requested that that experience be included in the evaluation.

98. Although one representative expressed the opinion that it was inappropriate for the Committee to discuss the funding of UNEP's GEF staff, as it would be reimbursed from GEF funds, several other representatives were of the opinion that GEF staff should be funded from the Environment Fund. Several other representatives said that clarification on the source of funding for staff should be sought at the forthcoming GEF participants' meeting in Beijing.

99. A number of representatives stressed the importance of GEF to developing countries, but were of the opinion that its activities should be expanded to give greater emphasis to projects that addressed the needs of developing countries.

100. Several other representatives sought clarification on the way in which the Scientific and Technical Advisory Panel (STAP) was recruited and one of them stressed the need for greater transparency in the selection of STAP members. The Deputy Executive Director described the process that would be used to appoint expert scientists for the STAP to be reconstituted later in the current year and stated that the new STAP must be made up of individuals whose selection was based on scientific competence. The Executive Director was open to receive nominations from Governments, agencies, non-governmental organizations and scientific institutions.

M. *Proposals to enhance the effectiveness and efficiency of UNEP in fulfilling its mandate*

101. The Chairman of the Fund Committee invited the Chairman of the Committee of Permanent Representatives to introduce the report of the Committee of Permanent Representatives contained in document UNEP/GC.17/L.2. The latter explained that the report was the result of a request by the Governing Council at its third special session to study and prepare proposals for enhancing the effectiveness and efficiency of UNEP.

102. He stated that the report reflected views which enjoyed very broad support on issues of prime importance for the future functioning of UNEP. The issues deserving the attention of the Governing Council were: institutional arrangements; financial management and structure; communications; and management style.

103. He concluded by expressing appreciation for the excellent atmosphere of cooperation with the Committee of Permanent Representatives that had been introduced by the new Executive Director.

104. Several representatives expressed their appreciation of the report of the Committee of Permanent Representatives and two of them recommended it to the Executive Director for her guidance.

105. Two representatives felt that the Committee of Permanent Representatives on the one hand, and the Executive Director and the Secretariat on the other, should act as mutual sounding boards. The Committee of Permanent Representatives should serve as a vehicle for signals from Governments to the Executive Director.

106. Two representatives stressed that the Committee of Permanent Representatives should not go into micro-management and pointed out that there would be no need for it to do so if the current atmosphere of mutual trust continued.

107. Several representatives also noted with appreciation the Executive Director's cooperation with the Committee of Permanent Representatives to date.

108. With regard to the recommendations of the study on the management and organization of UNEP, several representatives believed that there was a need for the Executive Director to spell out her position more clearly.

109. Two representatives found the study useful, but considered that it had exceeded its mandate in several areas. Other representatives found the study to be of very little use and stressed that the cost of the study - $520.000 - was absolutely unacceptable and should not create any precedent for the future.

110. One representative supported the Executive Director's policy on prioritization, as well as her policy to make UNEP more transparent and efficient.

111. Another representative considered that the effectiveness of UNEP representation outside Nairobi should be improved. He called for a radical review of the geographical locations and resources of regional and liaison offices and outposted staff with a view to improving the provision of UNEP's products and services.

N. *Improvement of facilities at the United Nations Office at Nairobi*

112. In introducing the item, the Deputy Executive Director reported that construction of the new offices at Gigiri was expected to be completed shortly, and all offices in the Gigiri complex were being wired for the new telephone system. The Kenya Posts and Telecommunication authorities had installed three fibre-optic cables to Gigiri from three separate telephone exchanges. When connected to the new Gigiri system, these would provide three alternative routings for both inward and outward communications.

113. He further informed the Committee that UNEP had received a provisional offer of a donation to UNEP of 16 satellite ground receiving stations that would provide an initial framework for a global satellite communications system. In order to initiate that project, called the Mercure project, he sought a "go-ahead" in principle. UNEP would have to accept responsibility for the operational costs of that project, but it must be stressed that it represented a window of opportunity to link UNEP offices together and to link UNEP with developing countries, particularly for the transmission of environmental data.

114. In conclusion, he proposed a draft decision by which the Governing Council would authorize the Executive Director to follow up the proposal of the participating group whereby, providing a satisfactory offer was confirmed, she would be authorized to enter into an agreement on the project.

115. One representative expressed agreement with the proposed draft decision.

116. Another representative, while noting the importance of the project to developing countries through its contribution to Earthwatch, raised the question of compatibility with other communications systems within the United Nations system, emphasizing the need for cooperation. The Deputy Executive Director replied that compatibility was assured, since both systems would be operating through Intelsat satellites.

117. Following an expression of concern by the host country over what was considered a lack of consultation concerning the project, and further discussions with the Secretariat, a statement was issued in which the host

country approved the Executive Director's proposal to finalize an agreement with the participants in the Mercure project, so long as there was full prior consultation with and consent of the Government of Kenya, taking into account existing communication facilities in the country.

O. *Interpretation facilities at Gigiri*

118. In introducing this item, the representative of the Secretariat stated that the various options had been investigated and it had been concluded that continuing with the existing system was more economical than having an established team of interpreters in Nairobi.

119. Several representatives stressed the desirability of maintaining an established team of interpreters. It was felt that, if such a team were to be established, its services could be used by all agencies and organizations located in Nairobi and more meetings would therefore be held in the city, making the team more cost-effective.

120. A number of representatives expressed the view that, if such a team were to be established, it should be funded from the regular budget of the United Nations.

121. The Committee agreed that the Executive Director should be requested to look into the matter further and to keep the question under constant review.

P. *Periodicity and duration of Governing Council sessions*

122. In introducing the item, the Deputy Executive Director said that the decision by the Governing Council to hold a special session of the Council in 1994 was no longer valid, since the Executive Director had decided to consult with members of the United Nations system on the mechanisms that would be required to coordinate United Nations activities in the field of the environment. She would report on that topic to the Administrative Committee on Coordination (ACC) before reporting back to the Governing Council in 1995. There were other factors which might make annual meetings of the Governing Council valuable. He had already noted the need for the Governing Council to endorse UNEP's role under the Global Environment Facility, if possible in 1994. The fact that the Commission on Sustainable Development (CSD) would be meeting annually was also something to be considered, although it was not yet known what actions the CSD would require of the Council. A valid case could thus be made for maintaining the current biennial cycle of sessions.

123. The Executive Director felt that it was for the Governing Council to decide whether or not it wished to revert to annual sessions.

124. Several representatives stressed the importance of annual sessions in the light of developments connected with the Global Environment Facility (GEF) and the CSD. One representative proposed that there should be annual but shorter - one-week - sessions. Two other representatives proposed alternating two-week sessions on programme and budget with one-week sessions on political issues.

125. A number of representatives emphasized the need for flexibility in scheduling sessions.

126. Many representatives were, however, in favour of retaining the current biennial cycle of sessions, while agreeing on the need for flexibility.

127. The Committee decided to recommend to the Council that the status quo be maintained and that it should continue to meet in regular session on a biennial basis, while retaining a certain degree of flexibility to decide when special sessions in even years might be advantageous.

Q. *Action of the Fund Committee*

128. Upon completion of its deliberations on agenda item 8, the Fund Committee adopted the report on its proceedings under the item (UNEP/GC.17/FC/L.2 and Add.1, Add.2, Add.3 and Add.4).